

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1738 – SB 2799

February 7, 2022

SUMMARY OF BILL: Exempts from state and local sales and use tax all sales of gun safes and individual computerized gun safety devices through FY22-23.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$321,300/FY22-23

Increase State Expenditures – \$137,700/FY22-23

Increase Local Revenue – \$6,500/FY22-23

Assumptions:

General Assumptions:

- Public Chapter 592 of 2021 exempts gun safes and gun safety devices sold between July 1, 2021 and June 30, 2022; this legislation will continue such exemption until June 30, 2023.
- Exempting sales of gun safes and gun safety devices from state and local sales tax will result in a reduction in state and local sales tax revenue.
- However, pursuant to Tenn. Code Ann. § 67-6-710(h), the state will reimburse any local losses of revenue from sales tax holidays; therefore, any decrease in local revenue will correspond with an increase in state expenditures to reimburse locals for such loss.
- The Department of Revenue (DOR) cannot segregate tax collection data to show sales tax collections received solely due to gun safe and gun safety device sales.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent

Gun Safes and Safety Devices

- Retail prices for gun safes and safety devices can range from under \$100 upwards of \$10,000 or more.
- The annual average number of gun safe sales and safety devices and the average prices are unknown.
- Taxable sales for gun safes and safety devices under current law are reasonably estimated to be \$5,000,000 per year in Tennessee.

HB 1738 – SB 2799

- The decrease in state sales tax revenue is estimated to be \$337,341 $[(\$5,000,000 \times 7\%) - (\$5,000,000 \times 7\% \times 3.617\%)]$.
- The increase in state expenditures is estimated to be \$137,660 $[(\$5,000,000 \times 2.5\%) + (\$5,000,000 \times 7\% \times 3.617\%)]$.
- Fifty percent of tax savings, or \$237,501 $[(\$337,341 + \$137,660) \times 50\%]$, will be spent in the economy on other sales-taxable goods and services.
- The increase in state sales tax collections is estimated to be \$16,024 $[(\$237,501 \times 7\%) - (\$237,501 \times 7\% \times 3.617\%)]$.
- The increase in local sales tax collections is estimated to be \$6,539 $[(\$237,501 \times 2.5\%) + (\$237,501 \times 7\% \times 3.617\%)]$.
- The net decrease in state revenue as a result of this bill in FY22-23 is estimated to be \$321,317 $(\$337,341 - \$16,024)$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/mk